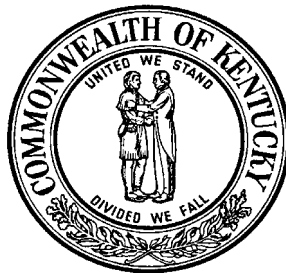


**REPORT OF THE AUDIT OF THE  
OWSLEY COUNTY  
CLERK**

**For The Year Ended  
December 31, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE OWSLEY COUNTY CLERK**

**For The Year Ended  
December 31, 2007**

The Auditor of Public Accounts was engaged to complete the audit of the Owsley County Clerk for the year ended December 31, 2007. Based upon the audit work performed, we have disclaimed an opinion on the financial statement and supplemental information.

#### **Report Comments:**

- 2007-01 The County Clerk Failed To Manage The Financial Activities Of His Office
- 2007-02 The County Clerk Deposited \$16,200 Of Unidentified Cash Receipts After Year-End
- 2007-03 All Deposits Were Not Made Intact Daily And Daily Checkout Sheets And Receipts Ledger Postings Did Not Agree To Daily Bank Deposits
- 2007-04 The County Clerk Had \$1,465 In Disallowed Expenditures
- 2007-05 The Deputies Salaries Exceeded The Approved Salary Cap Set Forth By Fiscal Court By \$19,070
- 2007-06 The County Clerk Should Not Commingle Public and Personal Funds
- 2007-07 The County Clerk Did Not Account For Fish And Wildlife Collections
- 2007-08 The County Clerk Is Not Following Proper Timekeeping Practices For Payroll
- 2007-09 The County Clerk's Salary Should Be Paid In Accordance With The Maximum Salary Authorizations Set By The Department for Local Government
- 2007-10 The County Clerk Did Not Keep Bank Statements And Did Not Reconcile Them On A Monthly Basis
- 2007-11 The County Clerk Should Record Payments From The Commonwealth Of Kentucky And The Fiscal Court In Accordance With KRS 43.075
- 2007-12 The County Clerk's Office Lacks Adequate Segregation Of Duties
- 2007-13 The County Clerk Overpaid The Owsley County Extension District \$2,708 From The 2005 Fee Account
- 2007-14 The County Clerk Has Not Properly Closed His 2006 Fee Account
- 2007-15 The County Clerk Failed To Comply With The Uniform System Of Accounts



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Cale Turner, Owsley County Judge/Executive  
The Honorable Sid Gabbard, Owsley County Clerk  
Members of the Owsley County Fiscal Court

Independent Auditor's Report

We were engaged to audit the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Owsley County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the County Clerk.

The Owsley County Clerk did not maintain adequate accounting ledgers for us to verify the receipts and disbursements of the corresponding statement and subsequently test the individual transactions that make up those receipts and disbursements for the year ended December 31, 2007. The Owsley County Clerk's additional accounting records did not permit the application of other auditing procedures to receipts and disbursements for the year ended December 31, 2007.

Since the Owsley County Clerk did not maintain adequate accounting ledgers and we were unable to apply other auditing procedures to satisfy ourselves as to the receipts and disbursements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement described in the first paragraph.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-01 The County Clerk Failed To Manage The Financial Activities Of His Office
- 2007-02 The County Clerk Deposited \$16,200 Of Unidentified Cash Receipts After Year-End
- 2007-03 All Deposits Were Not Made Intact Daily And Daily Checkout Sheets And Receipts Ledger Postings Did Not Agree To Daily Bank Deposits
- 2007-04 The County Clerk Had \$1,465 In Disallowed Expenditures
- 2007-05 The Deputies Salaries Exceeded The Approved Salary Cap Set Forth By Fiscal Court By \$19,070
- 2007-06 The County Clerk Should Not Commingle Public and Personal Funds
- 2007-07 The County Clerk Did Not Account For Fish And Wildlife Collections
- 2007-08 The County Clerk Is Not Following Proper Timekeeping Practices For Payroll
- 2007-09 The County Clerk's Salary Should Be Paid In Accordance With The Maximum Salary Authorizations Set By The Department for Local Government
- 2007-10 The County Clerk Did Not Keep Bank Statements And Did Not Reconcile Them On A Monthly Basis
- 2007-11 The County Clerk Should Record Payments From The Commonwealth Of Kentucky And The Fiscal Court In Accordance With KRS 43.075
- 2007-12 The County Clerk's Office Lacks Adequate Segregation Of Duties
- 2007-13 The County Clerk Overpaid The Owsley County Extension District \$2,708 From The 2005 Fee Account



The Honorable Cale Turner, Owsley County Judge/Executive  
The Honorable Sid Gabbard, Owsley County Clerk  
Members of the Owsley County Fiscal Court

2007-14 The County Clerk Has Not Properly Closed His 2006 Fee Account  
2007-15 The County Clerk Failed To Comply With The Uniform System Of Accounts

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2008, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Owsley County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, cursive script.

Crit Luallen  
Auditor of Public Accounts

July 24, 2008

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS



LF 142.001 Rev. 1/1/05

## Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2007

OWSley County Clerk

100535



## Part One - Summary and Reconciliation of All Accounts

Show & Describe All Accounts	Column 1		Column 2		Column 3		Column 4		Column 5	
	2007 Fee Account		Cumulative Actual		Account (NOT FEE ACCOUNT)		Account (NOT FEE ACCOUNT)		Account (NOT FEE ACCOUNT)	
1. Receipts YTD	569362.21		760458.39							
2. Total Disbursements YTD	569362.21		600316.89							
3. Book Balance/Excess Fees	0		384150							
4. Bank Statement Balance			923650							
5. Plus Deposits in Transit			5989.49							
6. Less Outstanding Checks			11324.49							
7. Other										
8. Reconciled Bank Balance			384150							
9. Accounts Receivable as of 12/31										
10. Unpaid Obligations as of 12/31										
11. Excess Fees										

Instructions: This form is the required format for the budget and the quarterly report. BUDGET: After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the state local finance officer. QUARTERLY REPORT: The quarterly report is cumulative. Show the status of all funds in the official's charge during calendar year to date in Part One. Line 1. Show total receipts on a cash basis for the year to date including any beginning balances for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Two of report. Line 2. Show total disbursements on a cash basis for the year to date for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Three of report. Line 3. Show difference between lines 1 and 2 for all accounts. Line 4. Show bank statement balance(s) at close of quarter. Line 5. Show total deposits made prior to close of quarter that are not reflected in bank statement(s). Line 6. Show total amount of checks issued prior to close of quarter that are not reflected in bank statement(s). Line 7. Show investments. Line 8. Show line 4 adjusted for lines 5, 6, and 7. Line 8 should equal line 3 for all accounts. Line 9. Complete for quarter ending 12/31. Show line 8 adjusted for lines 9 and 10. All debt to be shown in Part Four. Report due to: State Local Finance Officer, 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601-8204 by the 30th day following the close of each quarter. Fax # 502-573-3712 / Fx # 502-573-3710.

Approved by the fiscal court on the 22 day of JAN 2007

County Judge/Executive

To the best of my knowledge the information reported herein for the ended 12-31-07 is accurate and complete.

Signature of County Clerk

Date

LP 1142.002 Rev. 11/03

Part Two Receipts	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
1. Federal Grants/Reimbursements								
2. State Grants								
3. State Fees For Services								
4. Fiscal Court	373,712.11							
5. Licenses and Taxes								
6. Motor Vehicle:								
7. Licenses and Transfers	115,111.00	4,904,202.48	4,080,610.00	2,937,445.00	3,850,712.00	14,788,799.00		14,788,799.00
8. Usage Tax	180,470.00	3,125,865.00	2,295,871.00	2,198,944.00	2,400,011.00	10,525,596.00		10,525,596.00
9. Tangible Personal Property Tax	232,576.00	72,076,594.94	69,76,94.00	54,044.31	3,344,824.00	24,056,620.00		24,056,620.00
10. STATE RE-IMB	28,000.00			16,000.00		16,000.00		16,000.00
11.								
12. Licenses: (describe)								
13. Fish and Game	162,000.00	72,710.00	33,750.00	15,910.00	45,650.00	188,020.00		188,020.00
14. Marriage	110,000.00	20,700.00	46,150.00	53,250.00	448,500.00	1,149,500.00		1,149,500.00
15. Occupational								
16. Beer & Liquor								
17.								
18. HMDSINE								
19. Deed Transfer Tax	35,000.00	1,050,000.00	865,500.00	1,170,000.00	1,592,000.00	3,452,000.00		3,452,000.00
20. Delinquent Taxes	13,600.00	3,692,332.00	1,471,131.00	4,397,327.00	3,354,240.00	37,315,240.00		37,315,240.00
21. Fees Collected for Services								
22. Recordings:								
23. Deeds, Easements, and Contracts	450,000.00	761,000.00	533,000.00	683,000.00	614,000.00	2,596,000.00		2,596,000.00
24. Real Estate Mortgages	19,000.00	272,000.00	427,000.00	486,000.00	407,000.00	1,596,000.00		1,596,000.00
25. Chattel Mortgages & Financing Stmts	16,900.00	331,800.00	350,000.00	338,800.00	273,000.00	1,295,600.00		1,295,600.00
26. Powers of Attorney	6,000.00	54,000.00	77,000.00	11,000.00	70,000.00	212,000.00		212,000.00
27. All Other Recordings	4,000.00	187,600.00	423,000.00	108,200.00	136,700.00	471,800.00		471,800.00
28. Charges for Other Services:	115.00	104,800.00	172,000.00	147,000.00	147,000.00	576,300.00		576,300.00
29. Copywork								
30.	4,000.00							

LF 1142.003 Rev. 11/03

Part Two (continued)		Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
Receipts									
31. Other: (describe)									
32. CO REIMB		13500.00		5100.00	1100.00	5100.00	11300.00		11300.00
33. LIEN FEES		1850.00	854.10	1002.00	728.00	766.00	3350.00		3350.00
34. Interest Earned									
35.									
36. Total Revenues									
37. Petty Cash									
38. Borrowed Money									
39. Total Receipts		569312.21	172200.59	160535.61	130678.51	140385.68	604158.39		604158.39

Copy the figures shown on Line 39 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figures shown on Line 39 in the Total YTD column to page 1, column 2, line 1. Copy the figures shown on Line 39 in the Receivable column (see for 12/31 report only) to page 1, line 9.

Part Three		Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	12/31 Unpaid Obligations	Settlement Total
Disbursements									
1. Payments to State (describe)									
2. Motor Vehicle:									
3. Licenses & Transfers		87200.00	23477.84	40522.38	17274.98	22231.12	102981.32		102981.32
4. Usage Tax		93400.00	29889.88	22159.08	26689.03	23358.72	102981.32		102981.32
5. Tangible Personal Prop Tax		93900.00	12768.60	30443.23	21999.53	28000.24	93900.00		93900.00
6. Licenses: (describe)									
7. Fish & Game		15800.00	4129.75	8118.50	2073.75	4443.75	19265.75		19265.75
8. Marriage Licenses									
9.									
10. Delinquent Tax		20000.00	12706	27036	17676.4	29171.8	50222.24		50222.24
11. Legal Process Tax		4550.00	809.12	1413.54	1321.10	1760.24	5104.00		5104.00
12.									
13. Payments to Fiscal Court (describe)									
14. Tangible Personal Property Tax		30000.00	3686.02	1898.60	5570.84	7063.09	24224.55		24224.55
15. Delinquent Tax		2000.00	190.30	546.94	2453.81	3130.16	6219.21		6219.21
16. Deed Transfer Tax		3800.00				4902.40	4902.40		4902.40
17. Occupational Licenses									
18. Beer & Liquor Licenses									

LF 1142.004 Rev. 11/03

Part Three (continued) Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations 12/31	Settlement Total
19.								
20.								
21. Payments to Other Districts (describe)	135162.21	17370.64	37088.54	21671.11	32613.33	112567.62		112567.62
22. Tangible Personal Property Tax								
23. Delinquent Tax	9600.00	675.21	1358.10	8973.37	9301.73	20308.41		20308.41
24.								
25. Payments to Sheriff	400.00	15.00	85.00	150.00	325.00	575.00		575.00
26.								
27. Payments to County Attorney	2200.00	22748	42850	2725.62	2604.59	5996.19		5996.19
28.								
29. Personal Services								
30. County Clerk's Gross Salary								
31. County Clerk's Expense Allowance								
32. Deputies Gross Salaries								
33. Part Time Gross Salaries								
34. Overtime Gross								
35. PAYROLL TO COUNTY	75000.00	10939.10	22996.72	7169.23	28436.90	69482.07		69482.07
36. Employee Benefits								
37. Employer's Share S.S. (7.65%)								
38. Employer's Share Ret.								
39. Employer Paid Health Insurance								
40. Other Payroll Disbursements								
41. Training Fringe Benefit (HB 810)								
42. Contracted Services								
43. Fish & Game								
44. Advertising								
45. Printing & Binding								

LF 1142.005 Rev. 11/03

Part Three (continued)		Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	12/31 Unpaid Obligations	Settlement Total
46.									
47.									
48.	Supplies & Materials (describe)	800.00	80.85	816.11	420.24	259.90	1577.07		1577.07
49.	P.H.A.N.E	1850.00		583.78	578.24	732.09	1894.13		1894.13
50.	ELECTION EXPENSE	8500.00		5910.00					10525.00
51.	Other Charges (describe)								
52.	Conventions & Travel								
53.	Dues			25.80					
54.	Postage		1079.24	1438.32	1200.25	743.67	4287		4287
55.	MISC	3000.00	119.11	2460.03	1363.12	2482.14	5154.49		5154.49
56.	H.M.I.S.I.A.G						6364.40		6364.40
57.	Debt Service (Borrowed money/interest/lease/purchases)				846.00	2526.00	3372.00		3372.00
58.	Principal on Note								
59.	Interest								
60.									
61.	Capital Outlay (Overight purchases on tangible items lasting to future)								
62.	Office Equipment								
63.	Vehicle								
64.									
65.									
66.									
67.	Total		10455.67	18354.49	128472.15	183783.18	666316.89		666316.89
For offices that fee pool, pay fees to county prior to December 31, or counties over 70,000 in population, show payments made on lines 68 and 69.									
68.	Payments to County Treasurer								
69.	Payments to State Treasurer								
Enter total of lines 67, 68 and 69 on line 70									
70.	Total Disbursements	507362.31					666316.89		666316.89

Copy the figure shown on Line 70 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on Line 70 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on Line 70 in the Unpaid column (see for 12/31 report only) to page 1, line 10.

LF 1142.008 Rev. 11/03

**Part Four - Liabilities Outstanding**

Quarter ended \_\_\_\_\_

			Totals
Where Budgeted			
Description			
Term (# of Years)			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Less Reserve Earnings			
Net Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			
Where Budgeted			
Description			
Term			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Total Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			

Comments:

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Cale Turner, Owsley County Judge/Executive  
The Honorable Sid Gabbard, Owsley County Clerk  
Members of the Owsley County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We were engaged to audit the statement of revenues, expenditures, and excess fees - regulatory basis of the Owsley County Clerk for the year ended December 31, 2007, and have issued our report thereon dated July 24, 2008, wherein we disclaimed an opinion on the financial statement because the County Clerk failed to maintain adequate accounting ledgers and we were unable to apply other auditing procedures to the other records maintained by the County Clerk.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Owsley County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Owsley County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Owsley County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2007-01, 2007-02, 2007-03, 2007-04, 2007-05, 2007-06, 2007-07, 2007-10, 2007-12, 2007-13, and 2007-14.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider all the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Owsley County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items: 2007-08, 2007-09, 2007-11, and 2007-15.

The County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly we express no opinion on them.

This report is intended solely for the information and use of management, the Owsley County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

July 24, 2008

## COMMENTS AND RECOMMENDATIONS



OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

2007-01 The County Clerk Failed To Manage The Financial Activities Of His Office

Auditors have not been able to express an unqualified opinion on the County Clerk's financial statements for the past seven years including the current engagement. Recommendations have been made for at least the last eight years by three different auditing firms in an attempt to help the County Clerk understand how he could easily correct his poor financial practices and internal controls. The County Clerk has made virtually no attempt to correct even the most basic issues.

Improvement in his financial practices and internal controls is needed to ensure that proper information is being submitted on time and is not misleading to users of the information. These deficiencies create an environment for the potential of a material misstatement in the financial statement caused either by error or fraud. We recommend the County Clerk improve his internal control procedures related to financial reporting, and be more diligent in the day-to-day operations of the office. Without the County Clerk taking an active approach to correcting his poor financial practices, taxpayer monies will continue to be at risk. In addition, various local and state agencies that rely on and monitor the financial and program activity of the Clerk, cannot rely on or have any confidence in the reports submitted by the Clerk.

Based on available information obtained by auditors, the Clerk should perform the following to correct errors in his 2007 fee account and then complete a close out:

- Collect \$857 from the 2006 Fee Account for delinquent taxes improperly paid by the 2007 Fee Account
- Deposit \$1,465 of identifiable personal funds into the 2007 Fee Account for disallowed expenditures
- Pay himself \$1,740 for under payment of his 2007 salary
- Pay \$97 to the 2006 Fee Account for overpayment of delinquent taxes deposited into 2007 Fee Account
- Pay \$44 to the City of Booneville for a check that remains outstanding
- Pay \$410 to the Soil Conservation District for a check that remains outstanding
- Pay \$76 to the 2006 Fee Account for amounts overpaid to Fish and Game Account
- Deposit \$48 of identifiable personal funds into the 2007 Fee Account to close this bank account. These additional monies are needed to pay all outstanding liabilities found for the 2007 fee account after the above errors are corrected.

*County Clerk's Response: Will correct.*

*Auditor's Reply: As stated in the first paragraph of this comment, the County Clerk has made no improvements in managing the financial activities of his office for the last seven years.*

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

2007-02 The County Clerk Deposited \$16,200 Of Unidentified Cash Receipts After Year-End

The County Clerk deposited \$16,200 of unidentified cash receipts after year-end to cover a shortage in his 2007 fee account. These deposits are unidentified and could not be directly attributed to any 2007 tax collections or other fees attributed to the County Clerk's office. The County Clerk has stated to auditors that the unidentified receipts are from his own personal funds. The Clerk, however, did not provide any financial documentation or records supporting the source of the funds. Because the County Clerk continues the practice of producing insufficient financial records for receipts, we could not eliminate the possibility that these "cash" deposits were from 2008 cash payments received by the County Clerk. The County Clerk should only use current year official receipts for current year official expenditures in order to clearly identify the intent of the receipt. We recommend the County Clerk appropriately account for all receipts.

*County Clerk's Response: Will correct.*

2007-03 All Deposits Were Not Made Intact Daily And Daily Checkout Sheets And Receipts Ledger Postings Did Not Agree To Daily Bank Deposits

The County Clerk's daily checkout sheets and receipts ledger postings did not agree to bank deposits and deposits were not made by his office into the fee account on a daily basis. Additionally, we noted large portions of daily transactions are cash payments from taxpayers. Due to the high risk associated with these cash transactions, it is crucial that the County Clerk's office deposit all collections on a daily basis and agree these deposits back to supporting documents. Daily deposits will help prevent the likelihood of misstatement or fraud occurring without being detected. We recommend all collections be promptly deposited on a daily basis into the bank and reconciled to the daily checkout sheets with any discrepancies being thoroughly explained.

*County Clerk's Response: Will correct.*

2007-04 The County Clerk Had \$1,465 In Disallowed Expenditures

The County Clerk had \$1,465 in disallowed expenditures including \$1,082 of bank overdraft fees, \$333 of disbursements without proper supporting documentation and \$50 of late fees to the state. The County Clerk was charged \$50 in late penalties from Revenue Cabinet for not submitting usage tax reports in a timely manner. Bank overdraft fees and late payment fees are not necessary expenditures of the office and are reflective of poor management practices. In addition, without proper supporting documentation we could not determine if the payments made were reasonable and necessary expenditures of the office. We recommend the County Clerk only expend fee account monies for allowable purposes and have the proper supporting documentation for each payment.

*County Clerk's Response: Will correct.*

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

2007-05 The Deputies Salaries Exceeded The Approved Salary Cap Set Forth By Fiscal Court By \$19,070

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The County Clerk deputies' salaries exceeded the amount approved by fiscal court by \$19,070. The fiscal court approved the salary cap for deputies at \$45,000 for the year. The total salary paid to the County Clerk's deputies was \$64,070, including \$9,677 in overtime wages paid for the year. In addition, by statue the County Clerk should be paid \$60,958. The fiscal court subsidized \$53,806 of the \$123,288 of payroll expenditures for the County Clerk's office and provided \$22,281 in FICA, Social Security, and retirement matching funds, resulting in a total of \$76,087 of payroll expenses paid by the fiscal court that were not reimbursed to the county by the County Clerk. We recommend the County Clerk along with the Fiscal Court monitor payroll to ensure his deputies do not exceed the salary cap approved by the fiscal court.

*County Clerk's Response: Will correct.*

2007-06 The County Clerk Should Not Commingle Public and Personal Funds

The County Clerk cashed checks out of fee account funds for individuals and for reimbursement checks written to himself. Cashing checks out of fee account's cash on hand should be prohibited due to the risk of misappropriation of funds. Strict controls over cash are essential to ensure that all monies are accounted for properly. The risk of material misstatement and/or fraud increases when controls are not implemented or when controls are overridden. Fee account cash on hand is not for the convenience of the Clerk nor for the public. KRS 64.850 specifically states an official should not "withdraw public funds for any purpose other than that for which they were received and deposited." The cashing of checks for himself may constitute commingling of public and private funds by the County Clerk. We recommend the Clerk cease the practice of cashing checks from fee account funds immediately.

We recommend the County Clerk stop cashing his reimbursement checks from the fee account. Secondly, we recommend the County Clerk pay for all official expenditures by check and not by personal reimbursement.

*County Clerk's Response: Will correct.*

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

2007-07 The County Clerk Did Not Account For Fish And Wildlife Collections

During the test of the Fish and Wildlife account we noted the following:

- 10 of the 12 months had a deficit bank balance.
- \$866 of bank charges were incurred for non-sufficient funds and overdraft charges.
- The County Clerk stated that he only made a deposit in this account after the bank called and told him how much he needed to deposit to bring his account balance back to zero.
- The County Clerk had no system of accounting for these collections and did not reconcile the account.
- As of December 31, 2007, the County Clerk had a cash shortage of \$1,050 in the bank account
- The Fish and Wildlife Account should never have a deficit balance and all bank overdraft charges are disallowed.

We recommend the County Clerk properly administer the Fish and Wildlife collections by: making daily deposits, reconciling this account to ledgers, and eliminating all bank overdraft charges. By performing these minimum job duties, the County Clerk can correct this situation.

*County Clerk's Response: Will correct.*

2007-08 The County Clerk Is Not Following Proper Timekeeping Practices For Payroll

During the test of payroll, we noted that one deputy did not maintain any timesheets and did not account for any leave balances; a second deputy did submit timesheets however, they did not contain a supervisor's signature.

According to KRS 337.320 "Every employer shall keep a record of the hours worked each day and each week by each employee." Good internal controls dictate all timesheets have supervisory approval and records of vacation and sick time should be properly maintained.

We recommend the County Clerk ensure employees maintain timesheets and proper supervisory approval should be obtained. Timesheets should include any approved time off including vacation and sick time. Central oversight should be maintained for all payroll records and reconciliations should be completed each pay period by reconciling earnings records and leave time to the timesheets. We also recommend the County Clerk adopt an administrative policy for payroll or adopt the policy of the Fiscal Court.

*County Clerk's Response: Will correct.*

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

2007-09 The County Clerk's Salary Should Be Paid In Accordance With The Maximum Salary  
Authorizations Set By The Department for Local Government

The County Clerk's salary was not paid in accordance with the salary schedule set by the Department for Local Government (DLG). The County Clerk received \$59,218 as salary during calendar year 2007. The salary set by DLG for calendar year 2007 was \$60,958. This results in an underpayment of \$1,740. We recommend the County Clerk be paid in accordance with the salary schedule set by the Department for Local Government.

*County Clerk's Response: Will correct.*

2007-10 The County Clerk Did Not Keep Bank Statements And Did Not Reconcile Them On A  
Monthly Basis

The County Clerk did not keep or reconcile bank statements to ledgers on a monthly basis. Auditors had to go directly to the banking institution to obtain required information. If the County Clerk doesn't keep bank statements he cannot reconcile his records to the bank. Also, by not reconciling his ledgers to the bank statements, errors may occur and go undetected. We recommend the County Clerk keep all bank statements and reconcile them monthly to the ledgers.

*County Clerk's Response: Will correct.*

2007-11 The County Clerk Should Record Payments From The Commonwealth Of Kentucky  
And The Fiscal Court In Accordance With KRS 43.075

The County Clerk did not record all payments received from the Commonwealth of Kentucky and the Owsley County Fiscal Court in accordance with KRS 43.075. During testing, we noted that these payments were not recorded on the daily checkout sheets or in the receipts ledger. The only recording of these payments was made on the Quarterly Report, and those amounts did not agree to confirmations of state and county payments. We recommend the County Clerk record payments from the Commonwealth of Kentucky and the Fiscal Court on the daily checkout sheets and the receipts ledgers in accordance with KRS 43.075.

*County Clerk's Response: Will correct.*

OWSLEY COUNTY  
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COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

2007-12 The County Clerk's Office Lacks Adequate Segregation Of Duties

The County Clerk's office has a lack of segregation of duties, which further contributes to the inability of users to rely on his financial information. The County Clerk maintains the receipt and disbursement ledgers, makes the bank deposits, and prepares and mails checks for payment. Good internal control dictates the same employee should not receive payments, record receipts and prepare checks for payment. We recommend the County Clerk accurately record all financial transactions in his ledgers and have the duties of receiving payment, preparing and making deposits, paying bills, and preparing financial reports completed by independent office staff. The current office practices are reflected in all comments above.

*County Clerk's Response: Not enough workers to control.*

2007-13 The County Clerk Overpaid The Owsley County Extension District \$2,708 From The 2005 Fee Account

As part of closing out the County Clerk's 2005 fee account, the County Clerk overpaid the Owsley County Extension District \$2,708. We recommend the County Clerk seek reimbursement of monies due from the Extension District and remit payment to Fiscal Court as 2005 excess fees.

*County Clerk's Response: Will start withholding part every month.*

2007-14 The County Clerk Has Not Properly Closed His 2006 Fee Account

The County Clerk did not properly close out his 2006 Fee Account. We recommend the County Clerk take the following steps to close out the account:

- Deposit \$694 of identifiable personal funds into the 2006 Fee Account.
- Collect \$97 from the 2007 Fee Account and deposit into the 2006 Fee Account for overpayment of a delinquent tax bill collected in wrong year.
- Collect \$76 from the 2007 Fee Account on behalf of an overpayment to the Fish and Game Account, then deposit into the 2006 Fee Account.
- Pay the 2007 Fee Account \$857 for a liability of the 2006 Fee Account that was improperly paid by the 2007 Fee Account.
- Pay \$10 to the City of Booneville that is yet to be paid.
- Close the 2006 Fee Account after all items have cleared.

*County Clerk's Response: Will correct.*

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

2007-15 The County Clerk Failed To Comply With The Uniform System Of Accounts

Findings 2007-01 through 2007-14 represent a failure on the County Clerk's part to comply with the basic minimum requirements outlined in the Uniform System of Accounts as adopted under KRS 68.210 and KRS 43.075(3). Among other provisions, this statute requires the official to maintain accurate recording of receipts by source and expenditures by payee, and to fulfill all other legal requirements relating to the management of public funds by his office, including all publication requirements.

We recommend the County Clerk meet minimum standards of accountability for compliance with the Uniform System of Accounts.

*County Clerk's Response: Will correct.*

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